



Department of Veterans Affairs

Financial Policy

Volume II

Appropriations, Funds, and Related Information

Chapter 9

Prior Year Recoveries

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0901 Overview

This chapter establishes the Department of Veterans Affairs' (VA) financial policies regarding Prior Year Recoveries (PYRs).

Key points covered in this chapter:

- VA will classify PYR transactions in accordance with the OMB Circular A-11, Preparation, Submission and Execution of the Budget;
- In accordance with OMB Circular A-11 Section 120.23, VA will submit initial apportionment requests by August 21st each year, the requests will include anticipated authority (AA) for PYRs;
- VA will comply with OMB Circular A-136, Financial Reporting Requirements to accurately report PYRs;
- PYRs can occur in both unexpired (no-year or multi-year funds) and expired appropriations and are considered a budgetary resource that can be used for obligations or obligation adjustments; and
- Financial Services Center (FSC) is responsible for the correction of errors related to PYR transactions.

0902 Revisions

| Section | Revision | Office | Reason for Change | Effective Date |
|---------------------------------|---------------------------------------|---------------|---|-----------------------|
| Various | Completed Full Review | OFP (047G) | To ensure policy is current and relevant | February 2022 |
| 0901 Overview | Updated the key points section | OFP (047G) | To capture the main points made in this chapter | February 2022 |
| 0903 Definitions | Added and updated current definitions | OFP (047G) | Enhance reader understanding of PYRs | February 2022 |
| 0904 Roles and Responsibilities | Updated roles and responsibilities | OFP (047G) | Added Key Official titles to policy | February 2022 |

| Section | Revision | Office | Reason for Change | Effective Date |
|------------------------------------|--|---------------|--|----------------|
| 0905 Policies | <p>Added new policy section to provide guidance on how VA will use Anticipated Authority</p> <p>Updated various sections of the policy and included language to address the treatment of PYRs in VA's accounting system.</p> <p>Added language to emphasize OMB Circular A-11 footnote A-1</p> | OFP (047G) | Enhance reader understanding and provide clarification on how to track and manage PYRs | February 2022 |
| 0906 Authorities and References | Updated authorities and references | OFP (047G) | Updated links to provide the latest guidance on PYRs | February 2022 |
| 0907 Rescissions | Rescinded policy dated November 2018 and Appendix A dated May 2019 | OFP (047G) | Rescission of previous policy and Appendix A version | February 2022 |
| Appendix A | Removed Appendix A | OFP (047G) | Moved the content into the policy section | February 2022 |
| Appendix A | Added FMS invoice sequencing instruction. | FSC | Workaround process needed | May 2019 |
| Various | Performed five-year review and reformatted to new policy format | OFP (047G) | Reorganized chapter layout | November 2018 |
| Various | Changed Treasury Fund Appropriation Symbol (TFAS) to Treasury Account Symbol (TAS) | FSC | Use Treasury Terminology | November 2018 |
| 0901 Overview | Removed reference to FACTS II reporting | OFP (047G) | VA is using CARS reporting | November 2018 |

| Section | Revision | Office | Reason for Change | Effective Date |
|------------------------------------|---|---------------|------------------------------------|----------------|
| 0901 Overview | Added the primary focus of the policy to include: determining Anticipated Authority (AA), requesting AA, monitoring AA, recording PYRs, and correcting PYRs | OFP (047G) | VA requirement | November 2018 |
| 0903 Definitions | Added Apportionment and Reapportionment Schedule (SF 132) and Anticipated Authority | OFP (047G) | Clarify definitions | November 2018 |
| 0904 Roles and Responsibilities | Updated FSC responsibilities | OFP (047G) | Reporting changes | November 2018 |
| 0905 Policies | Provided clarification on PYRs and AA requirements | OFP (047G) | Clarify policy | November 2018 |
| 0906 Authorities and References | Removed multiple references to OMB circular A-11 | OFP (047G) | Clarify authorities and references | November 2018 |
| 0907 Rescissions | Added VA Policy Volume II Chapter 9, Prior Year Recoveries, October 2014, to table | OFP (047G) | Rescinded | November 2018 |

0903 Definitions

Anticipated Authority (AA) – VA’s unexpired budgetary resources are derived based on the estimated amount of prior year recoveries to be realized and subsequently obligated during a fiscal year. For Unexpired funds these estimated amounts must be approved by OMB prior to being re-obligated.

Apportionment and Reapportionment Schedule (SF 132) – The SF 132 is a form used by Federal Agencies to seek apportionment authority from OMB; it typically limits the obligations VA may incur for specified time periods, programs, activities, projects, objects, or any combination thereof. An apportionment is legally binding, and obligations and expenditures that exceed an apportionment are a violation of, and are subject to reporting under, the Anti-deficiency Act. It contains two general sections: Budgetary Resources and Application of Budgetary Resources. Apportionments must be submitted every year for OMB approval for all multi-year or no-year Treasury

Appropriation Fund Symbol (TAFS), unless exempt from apportionment. OMB only apportions TAFS, in the unexpired phase. Expired funds are exempt from apportionment.

Financial Management System (FMS) – VA’s legacy core accounting system.

FMS Invoice Sequencing – This is a workaround that is used when the invoice for two-digit sequence numbers reaches the FMS limit. FMS payment transactions referencing an obligation use the obligation number with a two-digit sequence number suffix. Since this is a two-digit suffix, obligations with a large number of payments can hit an FMS limit on sequence numbers. A common solution to this issue is to decrease the open obligation and establish a new obligation for the residual balance. This provides a new set of payment sequence numbers.

Integrated Financial and Acquisition Management System (iFAMS) – The system replacing VA’s legacy accounting system.

Prior Year Recovery – Recovery of budgetary resources that occurs when an obligation recorded in a prior fiscal year is deobligated in the current year. The deobligation or downward adjustment may be a partial reduction in the amount obligated or a complete cancellation.

0904 Roles and Responsibilities

Under Secretaries, Assistant Secretaries, Other Key Officials Chief Financial Officers, Fiscal Officers, and Chief Accountants, are responsible for ensuring compliance with the policies set forth in this chapter.

Office of Budget (OB) is responsible for requesting apportionments, monitoring, and tracking the use of AA and requesting reapportionments should authority for additional PYRs become needed.

Financial Services Center (FSC) is responsible for reporting, monitoring, and adjusting PYR amounts to ensure balances are accurately reported.

0905 Policies

090501 General Policies

- A. VA will comply with OMB Circular A-11, Appendix F, to accurately identify, determine and classify PYR transactions.
- B. VA will maintain supporting documentation for PYR transactions to allow for their subsequent review and audit.

090502 Determining and Requesting Anticipated Authority

- A. AA must be requested from OMB in advance of re-obligating funds related to a PYR.
- B. OB, Administration and Staff Office budget officials will estimate using historical data the amount of expected unexpired PYRs (both unpaid and paid) that should be requested for the next fiscal year.
- C. VA does not have to request AA for expired funds as PYRs in expired funds may only be used to adjust existing obligations not create new ones.
- D. In accordance with Section 120.23 of OMB Circular A-11 guidance, by August 21st each year, initial apportionment requests (including AA) will be submitted to OMB for the next fiscal year. Thus, establishing PYR authority for the next fiscal year.
- E. OB will:
 - Submit requests for AA on the SF 132 “Apportionment and Reapportionment Schedule as “Estimated – Unobligated Balances: Anticipated recovery of prior year paid” and “Estimated – Unobligated Balances: Anticipated recovery of prior year unpaid”;
 - Ensure all apportionment requests with PYR authority includes the statement from OMB Circular A-11 footnote A-1: “To the extent authorized by law, the estimated amount of recoveries of prior year obligations may be increased without further action by OMB. Revised estimates will be submitted to OMB within 10 days of publication of end-of-month accounting reports”; and
 - Coordinate with FSC to load OMB approved AA into VA’s accounting system.

090503 Use of Anticipated Authority

- A. VA will obtain approval from OMB on the apportionment request before incurring new obligations for unexpired budgetary resources.
- B. VA will not incur new obligations against expired or canceled funds.
- C. VA will not incur upward adjustments in excess of anticipated authority.
- D. For expired budgetary resources, only upward adjustments of obligations that were incurred in the year in which the amount was available for obligation are valid.
- E. Corrections of recorded, unrecorded or under recorded obligations may occur in expired funds (i.e., recording obligations that were incurred previously but reported in a different amount or not reported).

090504 Recognizing Prior Year Recoveries

- A. VA will recognize a PYR when an obligation recorded in a prior fiscal year is deobligated in the current year.
- B. PYRs can occur in both unexpired (no-year or multi-year funds) and expired appropriations.
- C. VA will recognize unexpired and expired PYRs as part of VA's budgetary resources in the accounting system.
- D. VA will use Governmentwide Treasury Account Symbol (GTAS) "Prior Year Adjustment" attributes to correct an error or mistake that does not constitute an upward or downward adjustment.
- E. VA will recognize the two types of PYRs: unpaid PYRs (related to open obligations) and paid PYRs (which are related to refunds). The following are examples of each:
 - Unpaid PYR. Based upon an estimate, an obligation was recorded on September 15th for \$10,000. In late October, additional information was received clarifying that the estimate was overstated by \$500 and a deobligation was processed. As this obligation had not been liquidated via payment this transaction would be considered an unpaid PYR; or
 - Paid PYR. In July, VBA obligated and processed for payment a Veteran claim for college tuition costs. The Veteran originally intended to take a full-time schedule of classes but later realizes that he/she must reduce the academic class load. As a result, the Veteran receives a refund of tuition costs and returns the appropriate amount to VBA in late October. VBA processes the collection as a prior year paid recovery.

090505 Monitoring Anticipated Authority

- A. In accordance with OMB Circular A-11, VA will actively monitor AA levels for all unexpired funds so that requests for additional AA can be made in a timely manner (i.e., within the same accounting period when the need was identified).
- B. VA's VACO Budget Office is responsible for monitoring AA levels in VA's accounting system to ensure sufficient amounts exist to cover known requirements.

090506 Requesting Additional Anticipated Authority

- A. If an Administration or Staff Office discovers a need for additional AA, they must send a request to OB as only OB can request additional AA from OMB.

- B. Upon notification OB will request additional AA from OMB.
- C. OB is responsible for notifying OMB verbally or in writing of the need to increase PYR authority.
- D. OB will, when required, generate SF 132's to OMB containing VA's requests for additional AA.
- E. OB is responsible for submitting revised estimates of recoveries of prior year obligations (AA) to OMB as required in footnotes in the OMB Action column of the Application of Budgetary Resources section of the apportionment.
- F. OMB footnote A-1 gives VA the authority to realize an increase in PYR is based on the previously approved apportionment.

090507 Recording and Reporting Prior Year Recoveries

- A. When a PYR occurs, VA will record the recovery in either an unexpired or expired appropriation.
- B. VA will use GL accounts to distinguish PYR transactions from current year obligations.
- C. VA will use GLs to track unpaid and paid AA and recoveries.
- D. VA will report PYRs during the year via GTAS.
- E. In accordance with the requirements of OMB A-136, VA will at the end of the year report PYRs in the Department's financial statements.

090508 Prior Year Recovery Adjustments

- A. Due to system limitations, corrections, reclassifications and transfers in FMS are not properly recorded in the accounting system as a PYR.
- B. FSC will use automated tools to group, analyze, review and identify PYR transactions that were improperly classified.
- C. FSC will process a Journal Voucher to correct any erroneously recorded PYR transactions.
- D. When Administration or Staff Office accounting personnel use the FMS Invoice Sequencing workaround process, the FSC Transaction Review (FSCTransactionReview@va.gov) mail group must be notified.

0906 Authorities and References

[Office of Financial Policy](#)

VA Financial Policy Vol II, Chapter 1 – VA's Accounting Classification Structure
VA Financial Policy Vol II, Chapter 5 – Obligations Policy
VA Financial Policy Vol VII, Chapter 1 – Financial Statement Reporting

[OMB Circulars](#)

OMB Circular A-11, Preparation, Submission and Execution of the Budget, Appendix F, Format of SF 132, SF 133 AND SBR
OMB Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control
OMB Circular A-136, Financial Reporting Requirements

[Treasury's Guide for Basic Accounting and Reporting For Upward and Downward Adjustments To Prior Year Obligations \(Effective Fiscal Year 2018\)](#)

[Treasury Financial Management Service, United States Standard General Ledger](#)

0907 Rescissions

Volume II – Chapter 9, Prior Year Recoveries, Appendix A, May 2019

Volume II – Chapter 9, Prior Year Recoveries, November 2018

0908 Questions

Questions concerning these financial policies and procedures should be directed to the following points of contact:

| | |
|------------|---------------------------------------|
| VHA | VHA Financial Policy (Outlook) |
| FSC | VAFSC Nationwide Accounting (Outlook) |
| VBA | VAVBAWAS/CO/FINREP (Outlook) |
| VBA | VAVBAWAS/CO/OPERATIONS (Outlook) |
| NCA | NCA Financial Policy Group (Outlook) |
| NCA | NCA Budget Service (Outlook) |
| All Others | OFP Accounting Policy (Outlook) |